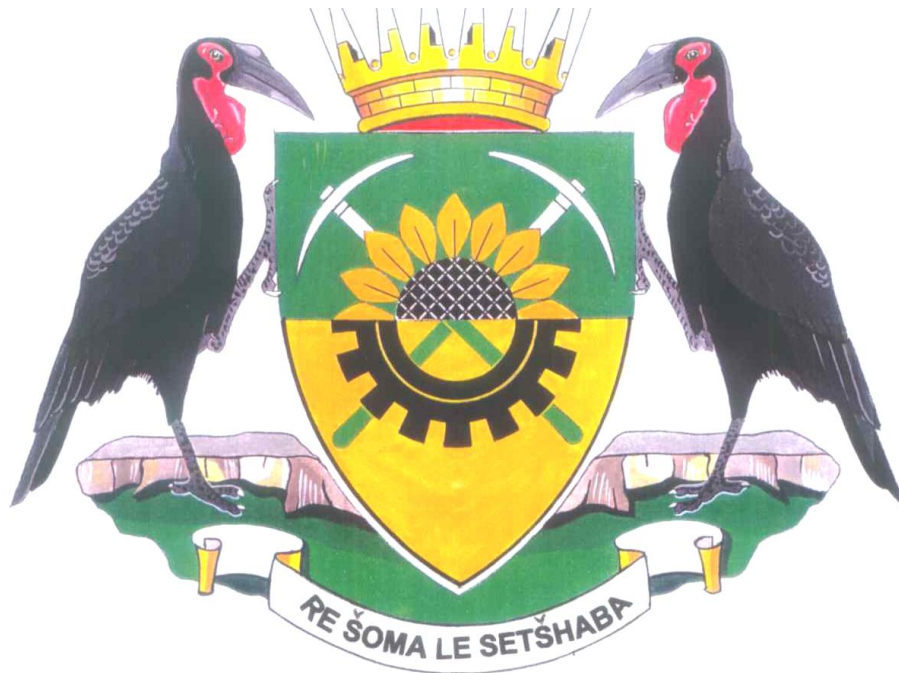


# **CAPRICORN DISTRICT MUNICIPALITY**



## **PETTY CASH POLICY 2016/17**

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## **1. Introduction and background**

Section 13(2) of the Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003) requires that a municipality establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed.

This policy is issued under the authority of SCM Regulation 15 issued in terms of MFMA. It complements the SCM Policy and establishes a control framework for petty cash as an acquisition and payment instrument.

This policy is consistent with the Act and the gazetted framework.

## **2. Adoption of Petty cash Policy**

The Municipality must formally adopt a petty cash policy which shall be consistent with the Act and its regulations.

The effective date of this policy, or any amendments thereto, shall be the date of its adoption by Council.

## **3. Purpose**

The purpose is to ensure the cost-effective and efficient use of petty cash funds while maintaining the required level of control in the process.

## **4. Scope and Application**

The policy is applicable to all officials and councillors of this municipality. This policy must still be read in conjunction with other relevant policies and petty cash purchases should still adhere to the conditions of these other policies.

## **5. Objectives**

The objectives of the policy are –

- to ensure compliance with the relevant legal and statutory requirements relating to petty cash management
- It governs the small miscellaneous purchases payments herein called minor expenditure when immediate settlement is required or when this method of payment is more cost-effective.

## **6. General permission and restrictions**

The conditions for the procurement of goods and services by means of petty cash purchases, include the following:

- 6.1. The maximum number of petty cash purchases or the maximum amounts for each executive manager shall be R4 000 per month (this shall be excluding petty cash needed for project visits);
- 6.2. Petty cash float shall be up to a maximum amount of R10,000 per disbursement;
- 6.3. Goods and services may only be procured by way of petty cash purchases, up to a maximum transaction value of R2 000 (VAT included);
- 6.4. The use of petty cash should be strictly confined to an individual cash purchases of up to the maximum of R2 000;
- 6.5. The expenditure with regard to petty cash shall not be deliberately split into more than one transaction to avoid the said limit;
- 6.6. Authorisation by manager or executive manager on the procurement of goods to a maximum of R 2 000 may be made by means of petty cash purchases;
- 6.7. All petty cash purchases should be budgeted for;
- 6.8. All petty cash requests shall have a budget form duly signed to indicate the vote number, the GL account number and the available budget. The budget form to be submitted to ensure availability of funds before any expenditure is incurred;
- 6.9. There must be only one official, or supervisor delegated by the CFO responsible for a petty cash fund at any given time. Only these two persons should be allowed access to the cash in this fund;

- 6.10. All purchase requirements utilizing petty cash shall be approved by the relevant Executive manager on the petty cash expenditure voucher within the petty cash book;
- 6.11. An official to whom a petty cash advance is issued, is personally responsible and any loss or shortage in respect of that advance may be recovered from that individual;
- 6.12. A Petty cash advance voucher in the petty cash book will be required before issuing an advance indicating the amount requested and the reason for the purchase, items to be purchased and authorized by the executive manager of Manager of in charge of a certain vote or line item;
- 6.13. A Petty cash expenditure voucher in the petty cash book will be required to finalize the procurement indicating the amount and items purchased, the vote number to be paid from and authorization by the executive manager of Manager of in charge of a certain vote or line item;
- 6.14. All expenditures must have a properly filled out in the petty cash expenditure book within the petty cash book. The supporting documents attached shall be original invoices or receipts.

## **7. Petty cash payments prohibited**

- 7.1. Petty cash advances must not be used to provide change, to give salary advances to employees or to cash cheques.
- 7.2. No personal use from these funds is allowed. It shall be deemed as an offense to use Petty Cash for private matters even if the intention is to repay.
- 7.3. Petty cash shall not pay for instalment invoices such as rental or equipment or open orders even if the amount falls within the limit specified.
- 7.4. No payment will be made for lost receipts or invoice.
- 7.5. Departments are not allowed to have more than **five (5)** petty cash purchases per month.

*Petty cash shall **NOT** be used for:*

- Refreshments such as Energy drinks (e.g. Red Bull)
- Fuel costs
- Toll gate slips
- Travel or any other allowance claims
- Salaries and Wages

## **8. Petty cash reporting**

8.1. Regular reporting mechanisms shall be in place in order to assess the performance of the petty cash and to ensure that the petty cash processes comply with policy objectives, guidelines, applicable laws and regulations.

8.2. The report should have all details of the transaction, the date which was used, the amount and the description of the purchases.

8.3. Monthly reconciliation reports from each executive manager to the chief financial officer, including –

- a) The total amount of petty cash purchases for that month; and
- b) Receipts and appropriate documents for each purchase

## **9. Deviations from the policy**

Any deviations from the policy must be approved in writing by the Municipal Manager.

## **10. Review of policy**

This policy on petty cash will be reviewed as and when amendments are required.

Any changes to the petty cash policy must be adopted by Council and be consistent with the Act and any National Treasury regulations.

## **11. Effective date**

The effective date of this policy, or any amendments thereto, shall be the date of its adoption by Council.

## **12. Definitions**

**“Act”** means the Local Government Municipal Finance Management Act, (Act No.56 of 2003)

**“CDM”** means Capricorn District Municipality

**GL** means General ledger

**“NT”** means National Treasury